



**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2005**

**TOWNSHIP OFFICIALS**

Supervisor	Charles R. Bohm
Clerk	Ken Artman
Treasurer	Rita Harman
Trustees	John Zoccola, Betty Grader

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>RAY TOWNSHIP</b>	County <b>MACOMB</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/20/05</b>	Date Accountant Report Submitted to State: <b>9/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>ANDREWS HOOPER &amp; PAVLIK, PLC</b>			
Street Address <b>3201 UNIVERSITY DRIVE, SUITE 350</b>	City <b>AUBURN HILLS</b>	State <b>MI</b>	ZIP <b>48326</b>
Accountant Signature <i>Roger Hitchcock CPA</i>		Date <b>9/27/05</b>	

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**CONTENTS**

<b>Report of Independent Auditors</b>	1
<b>Government-wide Financial Statements</b>	2
Statement of Net Assets	3
Statement of Activities	3
<b>Fund Financial Statements</b>	
Governmental Funds:	
Balance Sheet and Reconciliation to Statement of Net Assets – Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds:	
Statement of Fiduciary Net Assets	
<b>Notes to the Financial Statements</b>	8
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General and Major Special Revenue Fund Types	19



**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

**REPORT OF INDEPENDENT AUDITORS**

To the Township Officials  
Township of Ray  
Macomb County  
Ray, Michigan 48096

We have audited the accompanying financial statements of the Township of Ray, Macomb County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township of Ray, Macomb County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

The Township of Ray has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information listed in the table of contents is not a required part of the basic financial statement, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Andrews Hooper & Pavlik P.L.C.*

Auburn Hills, Michigan  
June 20, 2005

**TOWNSHIP OF RAY**  
**MACOMB COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**March 31, 2005**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 1,053,946
Due from tax collection fund	1,116
Due from other governments	<u>22,851</u>
Total current assets	1,077,913
Noncurrent assets:	
Capital assets, net	<u>1,013,139</u>
Total assets	2,091,052
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	71,333
Accrued expenses	30,928
Performance bonds payable	10,493
Building bonds payable	62,800
Due to other governments	1,468
Deferred income	1,739
Current portion of long-term liabilities	<u>59,301</u>
Total current liabilities	238,062
Long-term liabilities:	
Notes payable less current portion	<u>269,755</u>
Total long-term liabilities	269,755
Total liabilities	<u>507,817</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	684,083
Unrestricted	<u>899,152</u>
Total net assets	<u><u>\$ 1,583,235</u></u>

**TOWNSHIP OF RAY**  
**MACOMB COUNTY, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

Functions and Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government	
				Governmental Activities	
Governmental activities					
Legislative	\$ 11,336				(11,336)
General government	333,381	\$ 115,291	\$ 69,996		(148,094)
Public safety	103,424				(103,424)
Public works	69,578				(69,578)
Library	24,597				(24,597)
Fire department	342,205	8,731	31,255		(302,219)
Building department	67,815	76,585			8,770
Recreations and culture	37,558				(37,558)
Total governmental activities	989,894	200,607	101,251		(688,036)
Total primary government	\$ 989,894	\$ 200,607	\$ 101,251		(688,036)
General revenues					
Property taxes					502,612
Intergovernmental					262,647
Dividends, interest and rentals					38,910
Other					30,709
Total general revenues, special items and transfers					834,878
Change in net assets					146,842
Net assets, beginning of year					1,436,393
Net assets, end of year					\$ 1,583,235

See accompanying notes to the financial statements.

**TOWNSHIP OF RAY**  
**MACOMB COUNTY, MICHIGAN**  
**BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
 March 31, 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
		<u>Fire Fund</u>		
<b>Assets</b>				
Cash and cash equivalents	\$ 1,053,846	\$ 100		\$ 1,053,946
Due from other funds		861,563	\$ 60,060	921,623
Due from tax collection fund	1,116			1,116
Due from other governments	22,851			22,851
Total assets	<u>\$ 1,077,813</u>	<u>\$ 861,663</u>	<u>\$ 60,060</u>	<u>\$ 1,999,536</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 21,971	\$ 49,220	\$ 142	\$ 71,333
Accrued expenses	3,163	26,990	775	30,928
Performance bonds payable	10,493			10,493
Building bonds payable			62,800	62,800
Due to other funds	921,623			921,623
Due to other governments	1,468			1,468
Deferred income	1,739			1,739
Total liabilities	<u>960,457</u>	<u>76,210</u>	<u>63,717</u>	<u>1,100,384</u>
<b>Fund balances</b>				
Unreserved::				
Undesignated	98,756	785,453	(3,657)	880,552
Board designated	18,600			18,600
Total fund balances (deficit)	<u>117,356</u>	<u>785,453</u>	<u>(3,657)</u>	<u>899,152</u>
Total liabilities and fund balances	<u>\$ 1,077,813</u>	<u>\$ 861,663</u>	<u>\$ 60,060</u>	<u>\$ 1,999,536</u>

Total governmental fund balances \$ 899,152

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of capital assets is	1,711,600
Accumulated depreciation is	(698,461)
The amount of debt related to capital assets is	(329,056)
Net assets of governmental activities	<u>\$ 1,583,235</u>

**TOWNSHIP OF RAY**  
**MACOMB COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended March 31, 2005

	<b>General</b>	<b>Special Revenue</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
		<b>Fire Fund</b>		
<b>Revenues</b>				
Property taxes	\$ 131,991	\$ 370,621		\$ 502,612
Licenses and permits	114,106		\$ 76,090	190,196
Intergovernmental	262,647			262,647
Charges for services	1,185	237		1,422
Grants	69,996	31,255		101,251
Dividends, interest and rentals	38,910	7,731	495	47,136
Other	30,709	763		31,472
Total revenues	<u>649,544</u>	<u>410,607</u>	<u>76,585</u>	<u>1,136,736</u>
<b>Expenditures</b>				
Current				
Legislative	11,336			11,336
General government	308,028	87		308,115
Public safety	97,138	233,041	67,815	397,994
Public works	69,578			69,578
Culture and recreation	62,520			62,520
Capital outlay	32,166	65,767		97,933
Debt service				
Principal	4,984	51,130		56,114
Interest	217	10,156		10,373
Total expenditures	<u>585,967</u>	<u>360,181</u>	<u>67,815</u>	<u>1,013,963</u>
<b>Excess of revenues over expenditures and net change in fund balances</b>	63,577	50,426	8,770	122,773
<b>Fund balance (deficit), beginning of year</b>	53,779	735,027	(12,427)	776,379
<b>Fund balance (deficit), end of year</b>	<u>\$ 117,356</u>	<u>\$ 785,453</u>	<u>\$ (3,657)</u>	<u>\$ 899,152</u>



**TOWNSHIP OF RAY**  
**MACOMB COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

Year ended March 31, 2005

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 122,773</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while in the statement of activities these costs are allocated over the estimated useful lives as depreciation	
Capital asset purchases capitalized	92,471
Depreciation expense	<u>(124,516)</u>
	<u>(32,045)</u>
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets	
Loan principal payments	<u>56,114</u>
<b>Net change in net assets - government-wide statement of activities</b>	<b><u><u>\$ 146,842</u></u></b>

**TOWNSHIP OF RAY**  
**MACOMB COUNTY, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND**  
**March 31, 2005**

	<u><b>Current Tax Collection Fund</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u><u>2,059</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 670
Due to general fund	1,116
Due to others	<u>273</u>
 Total liabilities	 \$ <u><u>2,059</u></u>

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Ray (the Township) complies with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting (e.g. Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) Opinions) issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent those standards do not conflict with standards of the GASB.

**REPORTING ENTITY**

The Township of Ray, Michigan, established in 1827, is a public corporation created under the constitution and statutes of the State of Michigan. Located in Macomb County, the Township of Ray covers an area of approximately 36 square miles and is one of 12 townships in Macomb County, Michigan, each of which is a separate governmental entity. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 3,700 residents in many areas including fire protection, law enforcement and recreation. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the basic financial statements of the Township contain all the funds controlled by the Township's Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township.

**BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township, the primary government, as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds, such as the Tax Collection Fund, are excluded from government-wide financial statements.

In the government-wide statement of net assets, the columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements the Township has eliminated interfund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The Township reports the following major governmental funds:

**Governmental Funds**

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions, grants and other governmental revenues.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes. The following funds are included:

- Fire Protection

The Fire Protection Fund is a special revenue fund that is used to record the activity of the Township's fire protection activities.

- Building Department

The Building Department Fund is a special revenue fund that is used to record the activity of the Township's building department activities

**Fiduciary Funds**

Agency Fund - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The following fund is included:

- Current Tax Collection Fund

The Current Tax Collection Fund is used to account for taxes collected as an agent for other governmental units.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related liability is incurred. Debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided, operating grants and contributions and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**POLICIES AND PRACTICES**

Michigan Compiled Laws, Section 129.91 authorizes the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits and investment policy are in accordance with statutory authority.

**ASSETS, LIABILITIES AND FUND EQUITY**

Deposits and investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Interfund receivables/payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

Capital Assets – include property, plant and equipment reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. All property and equipment are stated at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	10 years
Buildings and improvements	7-50 years
Equipment	5 years
Vehicles	5-10 years
Library books	4 years

Total depreciation expense for the Township for the year ended March 31, 2005 was \$124,516 for governmental activities.

Long-term Obligations – in the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Equity Classifications – in the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.
- Unrestricted net assets – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, designations of unreserved fund balances in the governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires the Township’s officials to make estimates and assumptions that effect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**ACCUMULATED UNPAID BENEFITS**

The Township does not allow employees to accumulate vacation or sick time from year to year.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING CHANGES**

On April 1, 2004, the Township adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 establishes the basic financial statements and required supplementary information for the Township. The information consists of:

- Management's discussion and analysis
- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplemental information

The Township has elected to omit the management's discussion and analysis for the year ended March 31, 2005 that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The effect of the adoption of GASB Statement No. 34 was to increase net assets by \$684,083.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGET REQUIREMENTS, ACCOUNTING, AND REPORTING**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund's appropriated budget is prepared on a detailed line-item basis. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township's annual board meeting to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by a Township Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the Budgetary Comparison Schedule – General and Major Special Revenue Fund Types. PA 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.



**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

4. The Supervisor is authorized to transfer budgeted amounts between line items within an activity. However, any revisions that alter the total expenditures of any activity must be approved by the Township Board.
5. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31.
6. Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS**

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the line-item level.

During the year ended March 31, 2005, the Township incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditure	Budget Variance
General government:			
Public safety	\$ 95,500	\$ 97,338	\$ 1,638
Debt service		9,729	201
Fire fund:			
General government	-	87	87

**DEFICIT FUND BALANCE**

A deficit fund balance of \$3,657 exists in the Building Department Fund. The deficit results from expenditures over revenues incurred in current and prior years. It is expected that positive operations during the next year will provide a positive fund balance.

**4. CASH AND INVESTMENTS**

**DEPOSITS**

Cash deposits and pooled investments are carried at cost. Deposits of the Township are in the name of the Township at three banks and one other financial institution.

At March 31, 2005, the book value of the Township's deposits, consisting of savings accounts, interest bearing checking accounts and a pooled MBIA account, was \$1,069,743. Of the bank balances, \$301,815 was covered by Federal Depository Insurance and \$204,434 was uninsured. The entire MBIA account balance was uninsured.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**4. CASH AND INVESTMENTS (continued)**

Deposits are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized.

	Category			Cost
	1	2	3	
Cash	<u>\$ 301,815</u>	<u>\$ -</u>	<u>\$ 767,928</u>	<u>\$ 1,069,743</u>

**5. PROPERTY TAXES**

Property taxes are levied and become a lien on each December 1 on the taxable assessed value listed as of the prior December 31 and are due without penalty on or before February 28 for all real and business personal property located in the Township. The taxable value of the certified roll on December 31, 2004, upon which the levy for the 2005 fiscal year was based, was \$161,007,200. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collection Fund. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1.

The tax rate assessed for the tax calendar year ended December 31, 2004 to finance General Fund operations and debt was .8063 per \$1,000 valuation.

**6. INTERFUND RECEIVABLES AND PAYABLES**

The amount of the interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from other funds		
Fire fund	General fund	\$ 861,563
Building fund	General fund	<u>60,060</u>
	Total governmental funds	<u>\$ 921,623</u>
General fund	Tax collection fund	<u>\$ 1,116</u>

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**7. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity of the Township's governmental activities for the year ended March 31, 2005 was as follows:

Governmental Activities:

	April 1, 2004	Additions	Disposals and Adjustments	March 31, 2005
Capital assets not being depreciated:				
Land			\$ 19,000	\$ 19,000
Capital assets being depreciated:				
Land improvements	\$ 148,784		(40,002)	108,782
Buildings	222,017	19,880	20,528	262,425
Machinery, equipment and vehicles	25,551			25,551
Library books	112,739	7,365	(616)	119,488
Office furniture and equipment	9,606	6,000	29,140	44,746
Fire buildings and improvements	162,000			162,000
Fire equipment and vehicles	903,334	59,226	7,048	969,608
	1,584,031	92,471	16,098	1,692,600
Less accumulated depreciation for:				
Land improvements	38,916	9,840		48,756
Buildings	39,914	8,841		48,755
Machinery, equipment and vehicles	23,134	2,417		25,551
Library books	90,778	7,000		97,778
Office furniture and equipment	7,605	5,135		12,740
Fire buildings and improvements	47,270	3,240		50,510
Fire equipment and vehicles	326,328	88,043		414,371
	573,945	124,516		698,461
Net capital assets being depreciated	1,010,086	(32,045)	16,098	994,139
Capital assets - net	\$ 1,010,086	\$ (32,045)	\$ 35,098	\$ 1,013,139

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 25,136
Library	7,000
Fire	92,380
Total governmental activities	<u>\$ 124,516</u>

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**8. LONG-TERM DEBT LIABILITIES**

The following is a summary of the long-term obligations of the Township as of March 31, 2005:

On August 10, 1999 the Township secured a bank loan of \$77,000 to partially fund the purchase of a rescue truck. The note is secured by the rescue truck. The note bears interest at a rate of 4.6392% per year and requires annual payment of \$13,142 until August 2006. \$ 24,562

On June 16, 2003 the Township secured a bank loan of \$350,500 to fund the purchase of a pumper truck. The note is secured by the pumper truck. The note bears interest at a rate of 2.81% per year and requires annual payments ranging in amount from approximately \$46,000 to \$54,400 until June 2010. 304,494

Less current maturities of long-term debt  
Net long-term debt

\$ 329,056  
(59,301)  
\$ 269,755

A summary of changes in General Long-Term Debt is as follows:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
Office equipment capital lease	\$ 9,363		\$ 9,363	
Rescue truck	35,934		11,372	\$ 24,562
Pumper fire truck	350,500		46,006	304,494
	<u>\$ 395,797</u>		<u>\$ 66,741</u>	<u>\$ 329,056</u>

Annual aggregate maturities of principal and interest through maturity for all debts outstanding as of March 31, 2005:

Fiscal year ending	Principal	Interest	Total
2006	\$ 59,301	\$ 9,696	\$ 68,997
2007	61,187	7,810	68,997
2008	49,995	5,861	55,856
2009	51,400	4,456	55,856
2010	52,844	3,012	55,856
2011	54,329	1,527	55,856
	<u>\$ 329,056</u>	<u>\$ 32,362</u>	<u>\$ 361,418</u>

Interest expense for the year ended March 31, 2005 was \$10,373.

**TOWNSHIP OF RAY  
MACOMB COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**9. DESIGNATED FUND BALANCE**

The Township Board has designated \$18,600 of the unrestricted fund balance to be designated for the Recreation Department's future park development.

**10. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**11. CONTINGENCIES**

The Township is involved in various legal actions arising in the normal course of business. In the opinion of the Township Board, such matters will not have a material effect upon the financial position of the Township.

**REQUIRED SUPPLEMENTAL INFORMATION**

## TOWNSHIP OF RAY

## MACOMB COUNTY, MICHIGAN

## REQUIRED SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUND TYPES

Year ended March 31, 2005

	General Fund			Fire Fund			Building Fund		
	Original Budget	Amended Budget	Variance With Final Budget Over (Under)	Original Budget	Amended Budget	Variance With Final Budget Over (Under)	Original Budget	Amended Budget	Variance With Final Budget Over (Under)
REVENUES									
Property taxes	\$ 126,000	\$ 126,000	\$ 5,991	\$ 365,000	\$ 365,000	\$ 370,621	\$ 69,000	\$ 69,000	\$ 7,090
Licenses and permits	57,340	57,340	56,766						
Intergovernmental	280,000	280,000	(17,353)						
Charges for services	1,000	1,000	185			237			
Grants	7,500	7,500	62,496			31,255			
Interest	1,100	1,100	37,810	4,000	4,000	7,731	100	100	395
Other	65,200	65,200	(34,491)	2,000	2,000	763			
Total revenues	538,140	538,140	111,404	371,000	371,000	410,607	69,100	69,100	7,485
EXPENDITURES									
Legislative	11,340	11,340	11,336			87			
General government	308,500	325,550	(17,522)			87			
Public safety	102,800	95,500	1,638	389,000	389,000	233,041	69,100	69,100	(1,285)
Public works	56,500	77,700	(8,122)						
Recreations and culture	81,107	81,107	62,520						
Capital outlay	95,000	63,550	(31,384)	642,000	642,000	65,767			
Debt service									
Principal and interest	4,500	5,000	201	70,000	70,000	61,286			
Total expenditures	659,747	659,747	(73,780)	1,101,000	1,101,000	360,181	69,100	69,100	(1,285)
Excess of revenues over expenditures	(121,607)	(121,607)	185,184	(730,000)	(730,000)	50,426		8,770	8,770
Fund balance (deficit), beginning of year	53,779	53,779	53,779	735,027	735,027	735,027	(12,427)	(12,427)	(12,427)
Fund balance (deficit), end of year	\$ (67,828)	\$ (67,828)	\$ 117,356	\$ 5,027	\$ 5,027	\$ 785,453	\$ (12,427)	\$ (12,427)	\$ (3,657)

See accompanying notes to the financial statements.